October 16, 2014

Dear colleagues,

It is obvious by now that recent events pertaining to "employer sponsored pension plans" have led to numerous lively debates between the working class and the corporate elite. Canada Post has been telling us that: "we are all in this together"… however, that sentiment continues to be a hard sell to the rank and file. There is a significant difference between amending pension rules for an individual who earns about $60,000 per year, as compared to amending pension rules for an individual who may earn anywhere from $200,000 to $500,000 (without bonus) per year. We can look at the rather high number of Executives at Canada Post. It is important to note, that some of these Executives may be entitled to a Supplementary Retirement Arrangement (SRA) in addition to their regular pension benefit.

The terms Defined Contribution (DC), Defined Benefit (DB), or Target Benefit (TB), can be alien to some, since this language belongs to people of the "pension world". The key point to remember, though, when speaking about any kind of pension plan, is that the disagreements or debates between employee organizations (Unions) and employers are often about the "risk" of the plan, and in who should be most responsible to absorb the burden of that risk. Under the financial highlights of the Q2 report, Canada Post makes the following statement: *"These results demonstrate how changing discount rates, investment returns, and other actuarial assumptions can cause significant volatility in the Corporation's financial statements."* The Corporation makes that statement regarding our existing Defined Benefit (DB) component, since they are responsible for any plan shortfalls. The DB component of the plan also provides an amount guaranteed (which increases with indexation) throughout retirement. In order for the plan to be sustainable, Canada Post has to make good investments, and they have the obligation to fund their part of the contributions (including any shortfalls such as solvency or special payments). In contrast, under the Defined Contribution (DC) component, the employees absorb nearly all of the risk, and are subjected to the same market, creating volatility for the individual because of investment returns and assumptions. The Target Benefit (TB) plan is supposed to be shared risk, but experience has shown that most of the burden usually still falls upon the individual. Large organizations (especially Crown Corporations!) are often in a better position to manage pension risks as compared to an individual. In fact, depending on which source of information you read, there are more than 40% of Canadians who currently live from paycheck to paycheck. Pension "volatility" would obviously have a much greater impact on these individuals and their household responsibilities than upon a large profitable organization. Of note, it can be shared that the Canada Post segment just reported a solid profit for the second quarter of 2014, as compared to a loss for the similar period in 2013.

DB plans and DC plans are essentially polar opposites. That being said, Canada Post has made it abundantly clear throughout our recent negotiations (and their consistent messaging on pensions) that they are looking to shift some (or all) of the risk from the company onto the individual. Both the PSAC and your UPCE Executive continue to promote that the risk should continue to be absorbed by the employer, and that accrued benefits belong to the individual worker. **Canada Post must refrain from making any retroactive changes to existing accrued benefits.**

Bernard Dussault, the architect of the Canada Pension Plan, and former Chief Actuary for the Government of Canada, made the following comment in a recent CBC article: "Many blame the market crash of 2008 for shortfalls in pension plan investment returns. Dussault agrees that was a setback, but adds that it is a weak excuse, because as I write this the Toronto stock exchange has just hit another all-time record high. Yes, it is higher than the peak before the crash.

And any pension contributions invested since the crash have seen extraordinary gains."

The UPCE Executive continues to maintain their position, that the Canada Post senior leadership is at least partly responsible for what they are calling a "pension crisis". This crisis is in large part due to the decisions as taken by that very same senior leadership, specifically their refusal to make any special or solvency payments for the last few years (not just last year!). That money was never transferred to the fund, which resulted in a missed opportunity to invest with better rates of return. These solvency payments would have been re-invested which would have resulted in a healthier fund. We are truly concerned with the fact that our Canada Post senior leadership are making questionable decisions that ultimately could adversely impact all Canada Post employees. "Crying poor" years after those decisions were made, is a poor management practice at best.

Look at a similar situation, that being the original pay equity complaint that was filed in 1983. Canada Post refused to recognize and admit to discrimination, even after other Government departments admitted wrong doing. The result… time to again "cry poor" after losing a 30 year legal battle. It would have been far less costly (both financially and in employee engagement measure) for the entire organization if the Corporation chose instead to treat its employees with dignity and respect, and had acted professionally in properly funding their obligations in the first place.

Canada Post now advertises that they want to "consult" in regards to the pension issue. The UPCE, continues to be concerned with what that means. Why you may ask? Because several Canada Post documents now repeatedly state that indexed pensions are the cause of the solvency deficit, without any recognition to the fact that they are taking advantage of all available avenues to avoid contributing to the fund. In the past, Canada Post has been clearly "found out" in attempting to manufacture consent through repetitive messaging. We continue to work with our representatives on the Pension Advisory Council, the Consultation and Communication Framework Committee, and the Operating Committee, to monitor all recent developments. We remain optimistic yet guarded, as driven by historic concern and suspicion.

The "Framework" Update #2

At the August 22nd meeting, the Consultation and Communication Framework Committee prepared the ground work for the Operating Committee.

Proposed Operating Committee Composition

- Active unionized members to be nominated: 1 by APOC, 1 by CPAA, 2 by CUPW, 1 by PSAC/UPCE (5 in total)
- Active non-unionized members: 1 elected by active non-unionized members
- Retirees: 4 retirees from "at large" retirees to be elected by all retirees.
- Canada Post as Plan Sponsor & Plan Administrator: 2 to be designated by Canada Post.

Operating Committee Roles and Responsibilities

- The Designated and Elected Representatives will operate the Framework.
- Information will be shared and discussed on a timely basis with the Designated Representatives listed in section C of the Framework.
- The Representatives will provide input on how, what, and when to communicate with all plan members on the issues. The representatives need to understand this information, and be allotted with enough information to provide meaningful input.

- The representatives are not negotiating nor are they making any decisions on behalf of plan members. They are not making decisions regarding solutions or plan changes. They can provide recommendations for consideration.
- Any decisions will be subject to either the collective bargaining process, or a notification or consent process for non-unionized members and retirees.
- How they share, communicate, and/or use the information received as part of their role would be subject to both communication protocol and code of conduct.

Always in solidarity,

National President

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